

# Farmer labels property taxes inequitable

ERIE — Jesse Erickson, a grape grower and member of the State Grange Legislative Committee slammed the state property tax in a hearing held Wednesday.

The hearing, devoted to agriculture, was one of several held around the state on different aspects of state industry. The farm session was held in Erie.

Erickson outlined the Grange's position on property taxes, the state capitol stock tax, and inheritance taxes.

"Agriculture is a profession, which requires huge capital outlays for property, equipment, livestock, feeds, and fertilizer.

"Few farmers get rich from farming. Slender profit margins are the rule, these

being dictated by the often tenuous balance between farm debt and farm income," Erickson said.

According to the 1978 Crop and Livestock Annual Summary, the average net income per farm in Pennsylvania in 1977 was \$5435. As reported by the Pennsylvania Crop Reporting Service, taxes on farm property were the third highest production expense in that year, he said.

The property tax, in the Grange's opinion, is the single most inequitable tax in the Commonwealth, today. Because a farmer must own large tracts of land to operate his business, he is, in effect, carrying a larger portion of the burden of the school property tax than his non-farm neighbors.

The Clean and Green Act of 1973, preferential

assessments, and Act 515 of 1965, covenants, were designed by legislators to provide relief from skyrocketing property taxes. In many areas of the state, especially the Southeast, Clean and Green and covenants help many farmers to keep their operations in agriculture, where high property taxes might have already forced them to sell out, he told the hearing.

Farmers still pay large portions of their income for school property taxes. According to the United States Department of Agriculture in 1976, 34 percent of net farm income was used to pay the school property tax.

It is the belief of the Grange that the collection of a local net income tax would be a more equitable way to

support public schools. According to a study performed by the Agricultural Economics Department at Penn State, adequate revenues for the school property tax could be generated from a local net income tax "at reasonable tax rates."

Like the property tax, it would be a local tax. A local tax allows the district's residents, who are aware of the needs of their district, to make their own expenditure and revenue decisions, Erickson said.

A side issue relating to the tax burden of the property tax is the money paid by the State in lieu of property taxes on publicly-owned land. The Commonwealth presently pays 20 cents per acre, which is then divided among the local municipality, the schools, and the county.

Because the acreage is not taxed, the difference must be made by the other residents of the area, the grape grower continued.

The State Grange believes this payment should be increased to 50 cents per acre, with 20 cents returning to the local municipality, 15 cents returned to the schools, and 15 cents to the county. This increased payment would lessen the burden on the area's residents to offset the deficit.

Another tax problem in the Commonwealth is the Capital Stock Tax. The major stumbling block preventing Pennsylvania farmers from incorporating is this one percent tax on corporate assets.

As mentioned before, while many farms have large capital outlays for property, equipment, and livestock, profits are slim.

Hence, a one percent tax on a farm's assets is a major deterrent against farm incorporation, Erickson testified.

The benefits of incorporation, such as corporate liability and easing inheritance procedures, are made unavailable to the farmer who is unable to afford payment of this tax.

The State Inheritance Tax has created a financial hardship on the heirs of many farmers. When farms are valued at current market value rather than farm use value, the farmer's heirs often find that they must sell portions of their land to pay their Inheritance Taxes, he said.

Unless farms are valued at use value, more and more farms will be subdivided to pay the Inheritance Tax, rather than being kept in agriculture.

Also, on the subject of Inheritance Tax, is the rate of taxation. The rate for brothers, sisters, nieces, and nephews is 15 percent, while the rate for parents and children is six percent.

Partnerships in family farms often are not limited to parents and children. Brothers, sisters, nieces, and nephews are also members of these partnerships. Thus, the Grange believes the same 6% rate should apply to these relatives, too.

The sales tax exemption for farmers is a welcome relief for agriculture. And yet, without more of these kinds of aids to agriculture, the family farm will not survive in Pennsylvania.

With profits as low as they are now, and taxes ever on the increase, the future for Pennsylvania agriculture is bleak, he concluded.

## Farm Bureau president criticizes State of Union

PARK RIDGE, Ill. — "Because of the grain embargo, farmers continue to carry a heavier burden than other Americans in the U.S.-Soviet Union dispute," the president of the American Farm Bureau Federation said here Wednesday as he expressed disappointment with President Carter's State of the Union message.

"We had hoped President Carter would announce a break in all economic, cultural and diplomatic ties with the Soviet Union except for those necessary to resolve this conflict."

Robert B. Delano, AFBF president said.

"Instead, he left farmers and ranchers to carry the burden of the embargo by themselves."

Delano said he was disappointed that the president failed to make more mention of agriculture, one of the great strengths of America.

"We applaud President Carter for his desire to reduce deficit government spending and balance the federal budget," Delano said. "If the president and Congress follow through on this plan, many if not all, of

our economic problems would be resolved."

The farm leader also was critical of the president's approach to the subject of energy, saying, "The State of the Union message failed to indicate that government is willing to make the necessary sacrifices to end our dependence on foreign oil."

Pointing out it is suspected that there are vast oil and gas reserves locked up in the huge wilderness areas of the western states, Delano said the nation would never be able to use those reserves unless government regulations are changed radically.

## Ag transportation facts available from USDA

WASHINGTON, D.C. — The U.S. Department of Agriculture now has a fact sheet available to the public highlighting the rule of the department's Office of Transportation in the planning and development of national agricultural and rural transportation policies and programs.

Titled "Facts About USDA's Office of Transportation," is describes OT's responsibilities as the focal point for all USDA's transportation matters. It explains why USDA consolidates its transportation activities, and the importance of transportation to agriculture.

The four-page fact sheet identifies major transportation issues the office is dealing with, such as railcar shortages, high freight

rates, rail line abandonments, and regulatory reforms.

Included in the fact sheet is a section summarizing the formation and role of the Rural Transportation Advisory Task Force, which recently completed its one-year appointment with a report to Congress.

Copies of the fact sheet may be ordered by writing to: Information Division, AMS, 3620-S.O., U.S. Department of Agriculture, Washington, D.C. 20250.

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